

STATEMENT OF CONSIDERATIONS

CLASS WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN PATENT RIGHTS IN INVENTIONS MADE BY CONTRACTORS AND PARTICIPANTS IN THE PERFORMANCE OF CONTRACTS AND OTHER AGREEMENTS FOR RESEARCH AND DEVELOPMENT ENTERED INTO BY THE BUREAU OF MINES (BOM) OF THE DEPARTMENT OF INTERIOR (DOI) AND TRANSFERRED TO THE U.S. DEPARTMENT OF ENERGY (DOE)- CH-0897 - W(C)96-002

Congress, in PL - 104-99, 110 STAT. 26, has directed the transfer of certain functions of the Bureau of Mines; Department of Interior to the Department of Energy. Inasmuch as a substantial part of these functions is expected to be transferred to another agency at or near to the end of Fiscal year 1996, it would be burdensome to introduce and implement DOE regulations and procedures in these programs within this short period. In addition, this transfer of functions includes executed contracts with data and patent provisions which may be inconsistent with DOE policies. In particular, DOI ordinarily grants to all contractors, regardless of size, the right to take title to inventions consistent with the Presidential Memorandum of February 18, 1983, and Executive Order 12591.

In order to expedite these transfers, the DOE Procurement Executive (HR-5) has been requested to waive the Department of Energy Acquisition Regulations (DEARS) for these functions until the end of Fiscal Year 1996 (or until such time as these functions are transferred to another agency or incorporated into DOE's ordinary procurement practices). Also, General Counsel is considering a class deviation from the DOE acquisition regulations and 10 CFR part 600. Notwithstanding waiver of, or a class deviation from the regulations, inventions made or conceived under research and development contracts with the DOE may vest in the United States unless waived under section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974, 42 USC §5908. This Class Waiver is directed to any such inventions and is intended to apply to contracts, financial assistance agreements, and Cooperative Research and Development Agreements under 15 USC Section 3710a (CRADAs) to permit a continuation of DOI policies during this transition period.

This Class Waiver is to be coextensive in time and function with the Procurement Executive's waiver of, or the General Counsel's deviation from the Regulations and any extensions thereof. It is expected that such waiver or deviation will be effective for the remainder of Fiscal year 1996 and will extend to the following functions transferred to the DOE from the U.S. Bureau of Mines as directed by the Office of Management and Budget in its Determination Concerning Transfer (March , 1996). The total cost of these functions including the cost of operating the facilities and providing salaries and benefits to over 500 government employees is about \$40 million.

The functions pertaining to the promotion of health and safety in mines and the mineral industry through research vested by law in the Secretary of the Interior or the U.S. Bureau of Mines at its Pittsburgh Research Center in Pennsylvania, and at its Spokane Research Center in Washington.

The functions pertaining to the conduct of inquiries, technological investigations and research concerning the extraction, processing, use and disposal of mineral substances vested by law in the Secretary of the Interior or the U.S. Bureau of Mines under the minerals and materials science programs at its Pittsburgh Research Center in Pennsylvania, and at its Albany Research Center in Oregon.

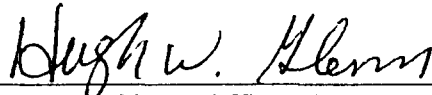
The functions pertaining to mineral reclamation industries and the development of methods for the disposal, control, prevention, and reclamation of mineral waste products vested by law in the Secretary of the Interior or the U.S. Bureau of Mines at its Pittsburgh Research Center in Pennsylvania.

This Class Waiver is applicable to existing agreements and to new procurement in the above-named functions. This Class Waiver acts to confirm the contractor's right to elect to retain title to subject inventions under existing agreements awarded by the BOM or the DOI and transferred to DOE. In addition, this Class Waiver shall extend to new procurement for research and development in the above-named functions awarded by Contracting Officers transferred to DOE but acting under the continuation of authority delegated by BOM or DOI.

This waiver of the Government's rights in inventions as set forth herein is subject to the Government's retention of the government license, reporting requirements, march-in rights and preference for U.S. industry set forth in 35 U.S.C. §§ 202, 203 and 204 for research and development agreements other than CRADAs. In CRADAs, the provisions of 15 USC §3710a as implemented by existing BOM and DOI procedures shall apply. Cognizant Contracting Officers will be advised to consult DOE Patent Counsel regarding application of the Class Waiver and appropriate patent rights provisions in new funding agreements for research and development with large businesses and other entities to which 35 USC §§200 et. seq. do not otherwise apply.

The grant of this Class Waiver should not result in adverse effects on competition or market concentration. Waived inventions will be subject to a royalty-free license to the Government and DOE has the right under funding agreements to require periodic reports on the utilization or the efforts at obtaining utilization that are being made for the waived inventions. If a contractor has not taken, or is not expected to take within a reasonable time, effective steps to achieve practical application of a waived invention, DOE can exercise its march-in rights and require licensing of the invention.

Accordingly, in view of the statutory objectives to be obtained and the factors to be considered under DOE's statutory waiver policy, all of which have been considered, it is recommended that this Class Waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.

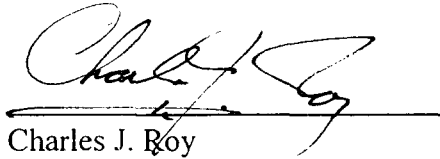


Hugh W. Glenn, Office of
Intellectual Property Law Department

Date 3/12/96

Based on the foregoing Statement of Considerations, it is determined that the interests of the United States and the general public will best be served by waiver of United States and foreign patent rights as set forth herein and, therefore, the waiver is granted. This waiver shall not affect any waiver previously granted.

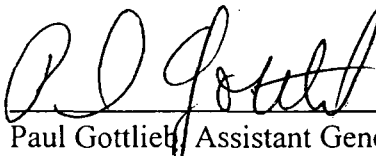
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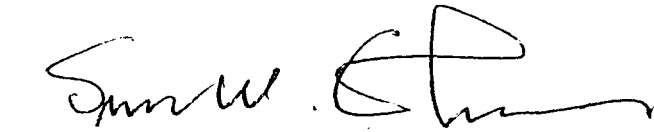
Date 4/1/96

APPROVAL:



Paul Gottlieb, Assistant General
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Date 4-2-96



Sun W. Chun, PETC
Director of Contracting Activity
for Transferred Functions

Date 3/25/96

STATEMENT OF CONSIDERATIONS

CLASS ADVANCE WAIVER OF THE GOVERNMENT'S U.S. AND FOREIGN PATENT RIGHTS IN INVENTIONS MADE IN THE PERFORMANCE OF PERSONNEL EXCHANGE AGREEMENTS ENTERED INTO BETWEEN LOCKHEED MARTIN ENERGY RESEARCH CORPORATION UNDER ITS DEPARTMENT OF ENERGY MANAGEMENT AND OPERATING CONTRACT NO. DE-AC05-96OR22464 AND INDUSTRIAL PARTNERS; W(C)-96-003; ORO-630

The United States Department of Energy (DOE) considers the scientific and technical personnel of Lockheed Martin Energy Research Corporation (Energy Research) that work at Oak Ridge National Laboratory (ORNL) valuable resources to DOE's energy research and development and national security missions.

Congress enacted the National Competitiveness Technology Transfer Act of 1989 (NCTTA) to promote technology transfer between government-owned, contractor-operated (GOCO) laboratories, such as ORNL, and the private sector in the United States and to enhance collaboration between industry and government to foster development of technologies in areas having significant economic potential. One way to enhance such collaboration is through personnel exchanges whereby scientific and technical personnel from Energy Research are assigned to the facilities of Industrial Partner hosts, and Industrial Partners' personnel are assigned to ORNL where Energy Research is the host.

Allowing Energy Research personnel to obtain experience and knowledge of industry's techniques, both in performance and in management of research and development, would enhance ORNL in the performance of its DOE mission. This need is based on the recognition that without personnel exchanges, Energy Research, by the nature of its functions in performing DOE missions, could become isolated from current technological and managerial practices which lie in the mainstream of industry. Such isolation of Energy Research would tend to reduce ORNL's capability to utilize current industrial technology. Although Energy Research attempts to maintain its capabilities at the industrial "state of the art" level, this will be increasingly difficult in a climate of dwindling federal funds for research and development. The isolation of Energy Research geographically, by security classification constraints and by a low turnover of key employees, can be greatly offset by providing for short term exchanges of Energy Research personnel with corresponding industrial staff.

While the NCTTA has greatly facilitated GOCO and industrial collaboration by providing for Cooperative Research and Development Agreements (CRADAs) between the parties, personnel exchanges have been under-utilized as a technology transfer mechanism, in part because under the terms of the management and operating contract, title in inventions made by a GOCO employee, while doing research at the facility of the Industrial Partner under a personnel exchange agreement, would vest in the Government or the GOCO.

Faced with the prospect of losing rights to its commercially valuable technology by permitting Energy Research employees to work on ongoing projects and possibly make inventions that would be owned by the Government or Energy Research, industry has been reluctant to host Energy Research researchers under personnel exchange agreements and unwilling to assign Energy Research researchers to projects involving technology that is commercially valuable.

Based on the reasons outlined above, it is Energy Research's position that the participation of Industrial Partners in personnel exchange agreements will be difficult or impossible to obtain unless there is advance assurance that the Partners will obtain rights in the inventions generated by Energy Research employees assigned to them. Therefore, to ensure that the Department's policy regarding invention rights not be perceived by industry as a barrier or disincentive to Energy Research personnel participating in personnel exchanges, this Class Advance Waiver shall ensure in advance that the Industrial Partners will obtain ownership rights in inventions made by Energy Research personnel assigned to Industrial Partners' facilities under a personnel exchange agreement. Such a waiver affords predictability in the relationship among DOE, Energy Research and the Industrial Partners regarding allocation of rights in inventions. No waiver is necessary when the exchange is in the other direction with personnel from the Industrial Partner being assigned to perform work at the ORNL operated by Energy Research. In the latter case, inventions made by the assigned industry researcher have been waived to Energy Research through class waiver W(C)-90-014, and the waiver is implemented by an appropriate entrance agreement signed by the industrial researcher that reflects that class waiver.

As explained previously, DOE benefits from the exchange of scientific and technical personnel between Energy Research and Industrial Partners because, not only are Energy Research personnel exposed to the nature of private industry practices and research, but also Energy Research is provided with outside scientific and technical personnel to work on Energy Research work at ORNL. This mutual enrichment will result in a broader perspective on the part of the exchanged researchers and an appreciation of the unique challenges faced by industry and the Government and how they respond to these challenges.

The waiver of the Government's rights is justified in this case for a number of reasons. Since industry would be more willing to enter into personnel exchange agreements with this waiver in place, negotiations would be easier, the Energy Research researcher would get exposure to cutting edge technology and industrial practices and DOE's technology transfer goals would be furthered. Sufficient justification is found to support granting of the waiver since the Industrial Partner has normally invested heavily in its background research and development and should be entitled to keep that which is created as a result of that investment.

The scope of this Class Advance Waiver covers inventions made by Energy Research employees assigned to the Industrial Partner's facility under a DOE-approved Personnel Exchange Agreement (Agreement) between Energy Research and the Industrial Partner. Under the terms and conditions of the Agreement between Energy Research and the Industrial Partner, the assigned personnel will remain employees of the assigning party and salary, benefits and other expenses of the assigned employees will be borne by the assigning party. Thus, each Energy

Research employee assigned to an Industrial Partner under a personnel exchange agreement remains an employee of Energy Research. Under this Class Advance Waiver, the Industrial Partner has the right to elect title to inventions made by Energy Research employees while assigned to the Industrial Partner's facility pursuant to a personnel exchange agreement.

This waiver of the Government's rights in inventions as set forth herein is subject to the Government's retention of: 1) a non-exclusive, non-transferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States the waived invention, and 2) march-in rights in accordance with Pub. L. 96-517, as amended.

This Class Advance Waiver offers the necessary incentive for Industrial Partners to participate in Energy Research's personnel exchange program and, in addition, appears justified by the reciprocal benefits of the exchange program.

Accordingly, in view of the above objectives and considerations as well as any other considerations set forth for advance waivers in 41 CFR 9-9.109-6, all of which have been considered, it is believed that grant of the requested Class Advance Waiver will best serve the interests of the United States and the general public. It is, therefore, recommended that the Class Advance Waiver be granted.

Date July 8, 1996

Cecile Muenzen for
Katherine Lovingood
Senior Patent Attorney

Based on the foregoing Statement of Considerations, it is determined that the interests of the United States and the general public will be best served by granting a waiver of the United States and foreign patent rights to inventions as set forth herein and, therefore, the waiver is hereby granted.

CONCURRENCE:

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APPROVAL

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Date July 24, 1996

Date 7-26-96